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DEPARTMENT OF NATIONAL REVENUE
EXCISE DIVISION

BULLETIN 17

Ottawa, 8th January, 1964

APPLICATION OF SALES TAX TO STRUCTURAL STEEL

Section 30 of the Excise Tax Act imposes a sales tax on all goods manufactured or produced in Canada and on all goods imported into Canada. Other sections of the Act exempt certain goods from the tax.

At present structural steel, as such, is not exempt from sales tax.

The rate of sales tax on structural steel for buildings is 4% from June 14, 1963 to March 31, 1964, 8% from April 1, 1964 to December 31, 1964 and 11% thereafter. Structural steel for other purposes, unless specifically exempted, based upon the status of the purchaser or the end use, is subject to sales tax of 11%.

Section 29 (2b)(d) of the Act provides as follows:

"Where a person

(d) manufactures or produces from steel that has been purchased by or manufactured or produced by that person, and in respect of which any tax under this Part has become payable, fabricated steel for buildings,

he shall, for the purposes of this Part, be deemed not to be in relation to such . . . . . fabricated steel so manufactured or produced by him, the manufacturer or producer thereof."

Where a steel fabricator manufactures or produces fabricated steel for purposes other than as structural steel for buildings he will be required to operate under a manufacturer's sales tax licence and to account for sales tax on the fabricated steel he has manufactured or produced, other than as structural steel for buildings, the tax being applicable on his taxable sales thereof on the sale price, less, where applicable, transportation allowed or transportation prepaid as permitted by Regulation 27 of the General Excise and Sales Tax Regulations, Circular ET 1, and less also actual costs of erection as permitted by Regulation 22 in any instance where the fabricated steel is erected by the fabricator.

The licensed steel fabricator must either obtain all his requirements of raw steel without payment of sales tax through quotation of his sales tax licence and the certificate of further manufacture or he must obtain all his raw steel requirements sales tax paid. It is not permissible for a licensed steel fabricator to obtain some raw steel without payment of sales tax and to obtain other raw steel tax paid. He must choose one method or the other although, after a period of time, if he wishes to do so, he may change to the other method.

The inventory of raw steel in the licensed fabricator's shop on June 14, 1963 or on any other date when a change is being effected can be converted to the same tax position being followed by the licensee in connection with his purchases or importations of raw steel.

Where a licensed steel fabricator has obtained all his requirements of raw steel without payment of sales tax, then on that portion which he fabricates as structural steel for buildings the sales tax will apply on his purchase price of the raw steel purchased in Canada, or if the raw steel has been imported, on the duty paid value thereof. In the event that transportation inward is included in the purchase price of the raw steel the amount for transportation, provided it is segregated in the records of the purchaser, need not be included in the purchases price on which the sales tax applies.

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Where a licensed steel fabricator has obtained all his requirements of raw steel tax paid no further sales tax will be applicable on the steel he has fabricated as structural steel for buildings. On steel fabricated for other purposes, however, the sales tax is applicable as mentioned already on taxable sales thereof on the sale price, less, where applicable transportation allowed or transportation prepaid and less also actual costs of erection in any instance where the fabricated steel is erected by the fabricator. From the tax payable on taxable sales of the fabricated steel the fabricator would be permitted to deduct the tax paid at the time of purchase or importation of the raw steel thus fabricated.

Bolts, rivets, paint and welding rods used in connection with fabricated steel may be handled, for sales tax purposes, in the same manner as the raw steel for fabrication but care must be exercised to ensure that the proper amount of sales tax is paid on these goods.

Where the steel fabricator obtains raw steel sales tax paid, the tax is payable by the steel mill at the time of delivery of the raw steel to the fabricator or at the time of importation of the raw steel by the fabricator, as the case may be.

Where the steel fabricator obtains raw steel without payment of sales tax through quotation of his licence and the certificate of further manufacture, the sales tax applies on his taxable sales of the steel he has fabricated for purposes other than as structural steel for buildings at the time of delivery of the fabricated steel to the job site or at the time of passing of title, whichever is the earlier except that where the fabricated steel is sold under a contract with progress billings, the tax becomes payable when each of the progress billings falls due under the contract.

The rate of sales tax payable is that in effect when the tax becomes due as outlined by the two preceding paragraphs. On raw steel obtained by the fabricator tax paid the rate of tax applicable is 11%. If then the tax paid raw steel is fabricated as structural steel for buildings the fabricator may claim a refund of the difference between the sales tax paid at the rate of 11% and the tax applicable at the rate of 4% or 8% as the case may be.

If the steel fabricator maintains his cost of raw steel on an average basis rather than as a specific amount per piece of steel this average basis will be acceptable to the Department for sales tax purposes.

On processing materials consumed or expended directly in the process of manufacture the sales tax is to be handled in the same manner as the tax on raw steel. Thus if raw steel is obtained tax paid the processing materials are to be obtained in the same manner and vice versa. Where sales tax has been paid on any processing materials used DIRECTLY in the production of fabricated steel which is taxable on the sale price by the fabricator the tax paid on the processing materials can be adjusted accordingly. It must be borne in mind, however, that processing materials used in connection with structural steel for buildings and materials used at the site of erection require the payment of sales tax thereon.

Paint, welding rod and other materials which are use on the site in connection with the erection of bridges or other structures are taxable under the present wording of the Excise Tax Act.

Sales of fabricated steel from one fabricator to another must be made on a sales tax paid basis. If the fabricator purchasing the fabricated steel is maintaining a tax free inventory and accounting for tax on his taxable sales he may avail himself of the provisions of subsections (18) and (19) of Regulation 13 of the General Excise and Sales Tax Regulations, Circular ET 1, and deduct from his current sales tax liability the amount of the sales tax paid on the fabricated steel at the time of purchase. This procedure is considered to be less confusing and to be more in keeping with the requirements of the Act and the Regulations.

Should sales tax problems arise in connection with steel used for large joint ventures these cases, if and when they arise, will be dealt with on their merits.

Production machinery used exclusively for the fabrication of structural steel for buildings is taxable at the rate of 11%. Production machinery used exclusively for the fabrication of steel for purposes other than structural steel for buildings is taxable at the rate of 4%, 8% or 11%, depending upon the time of purchase or importation.

If the production machinery is for a dual use, i.e. for use in fabricating structural steel for buildings and fabricating steel for other purposes, then each case should be referred to the Department. Full particulars should be furnished and the principal use of the machinery should be clearly indicated.

David Sim
Deputy Minister of National Revenue
Customs and Excise

Ottawa, 26th July 1965

RE: SALES TAX ON LUMBER AND ON PRODUCTS OF LUMBER AND WOOD

Circular E.T. 83, dated July 26, 1965, has now been issued, effective September 1, 1965, superseding and replacing the former Circular E.T. 8 and setting forth the Regulations relating particularly to the application of sales tax to lumber. The new Circular was issued following an extensive survey of the lumber industry and discussions with many of the lumber manufacturers' associations, and is intended to solve, or at least to reduce substantially, those problems which have proven particularly troublesome to taxpayers.

The essential changes in the Circular are as follows:

1. The discounts of 36% and 20% provided by the former Circular have been abandoned and replaced by other provisions which it is hoped will produce better equity in a more workable and effective way.
2. Hardwood flooring is to be classed as a "product of lumber and wood" rather than as "lumber". The purpose of this is to remove an inequity, in that hardwood flooring is sold in competition with parquet and block flooring and should be taxed on the same basis.
3. Item 5 of the new Circular provides that tax will not apply to charges for delivery in the manufacturer's own vehicles. It will be noted that there are two provisos, – first, the charge for the lumber and the charge for delivery must be shown separately on sales invoices, and, second, the manufacturer must be prepared to show that his delivery charges are fair and reasonable, which may be done by comparison either with charges made by public carriers operating in the area, or with the schedule provided. It is anticipated that the schedule be used only where no comparable rates by independent carriers are available.
4. Item 6(2) of the new Circular provides four optional procedures for use by a manufacturer of lumber who also purchases lumber. (In this connection, "manufacturer of lumber" includes the operator of a dressing mill.)

   (a) Option (a) permits such manufacturer to purchase lumber tax free and account for tax on all his taxable sales, based on sale price. By this option he will pay tax on purchased lumber on a higher value, but he will have the advantage of a tax free inventory, in that no tax is paid until the lumber is sold.

   (b) By option (b), he will account for tax on sale of lumber produced by his own sawmill, based on the sale price, rough or dressed; purchased lumber will be bought tax paid, and tax accounted for on any additional processing by dressing, etc. The effect of this is that tax will not apply to his profit on purchased lumber or to the inward freight. Obviously, this option can be used only where sales of lumber can be definitely identified and segregated at time of sale between sales of purchased lumber and sales of lumber produced by his own sawmill.

   A licensee operating under this option will be required to keep accurate and complete records of his dressing operations, as tax is payable on these operations, and these records must distinguish clearly between purchased lumber and that produced by his own sawmill.

   (c) Option (c) provides for the payment of tax on his own manufactured lumber at time of production, on purchased lumber at time of purchase, and on dressing operations at time of dressing. This provides for tax equalization, as tax on his own manufactured lumber is based on "fair market value", as defined. The manufactured lumber and the purchased lumber will then bear approximately the same tax. It also provides, as in option (b), that tax will not apply on the profit or the inward freight on purchased lumber.

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As in option (b), a licensee operating under this option will be required to keep adequate and complete records of his dressing operations, but under this option it is not necessary to distinguish in his yard between purchased lumber and that of his own manufacture, as tax applies on both before the lumber reaches his lumber yard.

(d) Option (d) provides for the payment of tax, both on purchased rough lumber and on that produced by the licensee's own sawmill, at time of dressing, or at time of sale if sold rough. Its only basic difference from option (c) is in the time of payment of tax, and in all other respects it is essentially the same. It will be noted, however, that option (d) makes no reference to tax on ripping or resawing, as these operations will have been performed before the incidence of tax and will be reflected in the fair market value on which the tax is based.

As in options (b) and (c), complete and accurate records of dressing operations will be required, and it is emphasized that as tax is being applied at this point to the lumber as well as the dressing operations, full details of species, grades and dimensions are necessary.

(e) In the practical application of options (c) and (d), the fair market value for tax purposes will be determined by the licensee, subject to approval by Departmental auditors. The licensee must, therefore, keep adequate records of the lumber he produces and the lumber he purchases, and must be prepared to prove that the values he has used are fair and reasonable. As set forth in Item 2(2) of the Circular, these values are to be based on prices actually paid by the licensee for similar lumber purchased during the same period from other manufacturers in the area, F.O.B., the supplier's mill; it is emphasized that for this purpose the purchased lumber must be similar in species, grades and dimensions. For example, the purchase price of mill-run lumber could be used where the average grade was on a par with that of the licensee's own manufactured lumber, but could not be accepted where the mill-run purchase included as unduly large proportion of low-grade lumber. Where a licensee is unable to establish fair market values, he should get in touch with his local Excise Tax Audit Office, and Departmental auditors will be pleased to assist him.

(f) Under option (b) the licensee's inventory of purchased lumber will be tax paid, under option (c) the entire inventory will be tax paid, and under option (d) the inventory of dressed lumber will be tax paid. On beginning operations under any of these options, it will be necessary to convert the existing inventory of such tax free lumber to tax paid, by taking inventory and paying tax thereon, based on the cost of purchased lumber and the fair market value of his own manufactured lumber, including dressing charges on dressed lumber. A Special Sales Tax Return is provided for this purpose, which should cover the inventory as at September 1, 1965, and must be filed on or before October 31, 1965. The Special Return further provides that tax on the inventory may be paid in equal monthly instalments over a period of not more than 6 months.

Any licensee concerned who has an inventory of such tax free lumber and who does not file the Special Return by October 31, 1965, will be deemed to be operating under option (a). He may, of course, elect at a later date to take inventory, file the Special Return, and use option (b), (c) or (d) thereafter.

(g) A licensee who operates a dressing mill only, and does not operate a sawmill or have logs sawn for him, may use any one of the four options provided by Item 6 of the Circular, so far as they apply.

5. Circular E.T. 83 deals with lumber only, and does not cover products of lumber and wood, i.e., sash, doors, shingles, plywood, hardwood flooring, etc., which will be governed by the provisions of Circular E.T. 1, General Excise and Sales Tax Regulations.

A manufacturer of lumber who also manufactures products of lumber and wood is therefore required to be licensed if his combined sales of lumber and of products of lumber and wood exceed $3,000.00 per year.

If such manufacturer is primarily a manufacturer of products of lumber and wood, (i.e., his sales of these products exceed his sales of lumber), he would be permitted to purchase all his lumber tax free on quotation of licence number and certificate of further manufacture. He would then account for tax on his taxable sales of lumber on the basis of cost or fair market value, including dressing charges where applicable; or to simplify his tax accounting he may prefer to pay on the basis of sale price.

If on the other hand his sales of lumber exceed those of products of lumber and wood, he would be regarded as being primarily a manufacturer of lumber, and would operate under one of the options provided for manufacturers of lumber. Where tax paid lumber is used in the manufacture of products of lumber and wood, the tax paid on such lumber may be recovered by deduction from tax payable on the finished product, and a percentage for this purpose could be established if desired.

6. By Section 61 of the Excise Tax Act, any amounts of Sales Tax charged as such to customers and shown on sales invoices, either as a separate charge or as a note, must be remitted in full to the Department. This is set forth in Item 8(1) of the Circular, and will be of particular interest to licensees operating under options 6(2)(c) or 6(2)(d).

7. Questions as to the interpretation or application of the provisions of the Circular, or of this Bulletin, should be addressed to the local Excise Tax Audit Office.

G.L. Bennett

G.L. Bennett,
Assistant Deputy Minister of National Revenue, Customs and Excise.

26 July 1965

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967.

Ottawa, 1st September 1965

RE: FOOTWEAR – BOOTS AND SHOES AND ALL OTHER FOOTWEAR EXCEPT RUBBER FOOTWEAR – BASES FOR TAX COMPUTATION

A recent extensive survey of the footwear industry has revealed changed conditions since issuance of Circular ET 51 dated 5th March 1959. It has been found necessary, therefore, to revise the bases for tax computation authorized by that Circular. Accordingly a new revised Circular ET 51 has been issued under date of 1st September 1965. The new Circular is effective 1st October 1965 and supersedes the former Circular as of that date.

The principal changes are as follows:

1. The 10% discount for tax computation purposes on sales to retailers authorized by Circular ET 51 dated 5th March 1959 has been cancelled as the recent survey of the footwear industry revealed that a wholesale situation in the industry generally no longer exists. By way of clarification, for tax purposes a wholesale situation is held to exist when not less than 15% of the total sales in the industry are made by manufacturers to bona fide independent wholesalers. The recent survey indicated that only a small volume of sales of regular lines were actually made by manufacturers to such wholesalers.

2. With cancellation of the 10% discount on sales to retailers, provision is made that when a manufacturer has an established wholesale price as defined by Regulation 21 (2) (g), this will establish the value on which the tax shall be accounted for on sales to retailers and users at higher prices. It no longer will be necessary to maintain a list of chain and departmental store organizations for tax computation purposes.

3. Provision is made for computation of tax on sales to inter-related, associated or affiliated concerns and subsidiaries, on values based on sales to independent purchasers.

4. Change in discount for tax computation on sales to users only. Previous discount 40% from regular list price to users, with tax computed on the remainder. New discount 35% if list price tax-included, tax to be computed as included in remainder, or 37½% if list price tax extra, tax to be computed on the remainder.

5. Provision for payment of tax at time of transfer or shipment by the manufacturer to his own retail store or stores.

Raymond C. Labarge,
Deputy Minister of National Revenue,
Customs and Excise.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965.

Ottawa, 13th January, 1967

RETREADED TIRES – TAX COMPUTATION

Effective 30th March 1966, the *Excise Tax Act* was amended to provide that any person engaged in the business of retreading tires is deemed to be a producer or manufacturer. This means that retreaders who retread tires, or have them retreaded for them or on their behalf by others, whether they are stock or custom retreads, are regarded as manufacturers for sales tax purposes.

This statutory amendment, in turn, required the issuance of a revised Circular ET 46 dated 7th November 1966. After publication of the revised Circular, representations were made to the Department stressing the administrative difficulties which would be encountered by certain retreaders in adhering to the provisions of the revised Circular.

To obviate, as far as possible, these administrative difficulties, the Circular has been cancelled and replaced by Circular ET 46 dated 13th January 1967. The new Circular implements the amendment to the *Excise Tax Act* and, effective 1st October 1966, revises the bases for tax computation authorized by the previous Circular.

A number of points should be noted in this new Circular:

1. Where charges are made for section or spot repairs or the insertion of studs in conjunction with the retreading of a tire, tax applies only on the cost of materials used, provided the requirements of section 4(2) are complied with.

2. On sales or charges for retreading to users there are two authorized discounts for tax computation purposes:

   (a) sales tax included list selling price (or charge) to individual users, less 50%, and

   (b) sales tax included net list selling price (or charge), less 25%.

   The terms used in (a) and (b) are defined in the Appendix to the Circular.

3. Sales of stock retreads to users for a commercial or industrial use are not necessarily subject to tax on the sale price. Either discount which is authorized for tax computation on sales to users may be used, subject to two important qualifications:

   (a) if the sale price is lower than the sales tax included list selling price to individual users less 50%, or the sales tax included net list selling price less 25%, the tax applies on the sale price. The same qualification applies to charges for custom retreading to users for a commercial or industrial use.

   (b) if sales or charges are made at "negotiated prices" (i.e. at prices agreed upon by discussion and agreement between the retreader and the user and such prices are generally lower than the values authorized under section 6 of the Circular), tax applies on the sale price or charge made.

4. Retreaders are regarded as manufacturers of those tires they have retreaded for them by others and required to account for sales tax in the same manner as if the tires had been retreaded by themselves.

5. Retreaders are required to obtain their retreading materials exempt from tax (using their sales tax licence number and certificate of further manufacture); they are not permitted to pay tax upon purchase and take subsequent credit.

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SAMPLE COMPUTATIONS

Sale to user at list:

Possible Invoice	Sales tax included list selling price to individual user	$50.00
	Less 50% discount	25.00
	Value for sales tax	$25.00
	Sales tax payable 12/112ths of $25.00 =	$ 2.68

Sale to user at net list:

Possible Invoice	Sales tax included net list selling price	$33.34
	Less 25% discount	8.34
	Value for sales tax	$25.00
	Sales tax payable 12/112ths of $25.00 =	$ 2.68

Sale to user at list less 25%:

Possible Invoice	Sales tax included list selling price to individual user	$50.00
	Less 25% allowed user	12.50
	Sale Price	$37.50
Sales Tax Calculation	Sales tax included list selling price to individual user	$50.00
	Less 50% authorized discount	25.00
	Value for sales tax	$25.00
	Sales tax 12/112ths of $25.00 =	$ 2.68

Sale to user at net list less 10%:

Possible Invoice	Sales tax included net list selling price	$33.34
	Less 10% discount allowed user	3.33
	Sale Price	$30.01
Sales Tax Calculation	Sales tax included net list selling price	$33.34
	Less 25% authorized discount	8.34
	Value for sales tax	$25.00
	Sales tax 12/112ths of $25.00 =	$ 2.68

The purpose of this bulletin is to give the taxpayer brief comments on the background of the new Circular and to draw his attention to the important changes. The bulletin is not intended to be used as a substitute for the Circular, i.e., as an instruction on tax computation.

G.L. Bennett,
Assistant Deputy Minister of National Revenue, Excise.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967.

Ottawa 2, 9th January, 1967.

DRAPES

1. The Budget Resolutions introduced in Parliament on 19th December, 1966, provide for an increase in the rate of the consumption or sales tax imposed by Section 30 of the Excise Tax Act from 8% to 9% effective 1st January, 1967. This increased tax plus the Old Age Security Tax of 3% collected with it, makes a combined tax of 12%.

2. To assist manufacturers or producers of drapes in determining the amount of tax payable at the 12% rate on sales to INDIVIDUAL USERS and COMMERCIAL or INDUSTRIAL USERS under the provisions of CIRCULAR ET 62, the following bases for computation of the tax are authorized in those cases where the manufacturer has elected to deduct the 10% installation allowance in lieu of actual installation costs, as authorized by the Circular when drapes are sold at installed prices, and the 4% allowance on the value for tax of the drapes to recover the tax paid on materials, in those instances when the materials are purchased tax paid:

(1) WHEN DRAPERY MATERIALS PURCHASED TAX PAID

(a) On sales of TAX INCLUDED PRICES

To individual users – INSTALLED – 3.81% on the sale price or charge
To individual users – UNINSTALLED – 4.23% on the sale price or charge
To commercial or industrial users – INSTALLED – 6.04% on the sale price or charge
To commercial or industrial users – UNINSTALLED – 6.714 or 6.72% on the sale price or charge

(b) On sales at TAX EXCLUDED PRICES

To individual users – INSTALLED – 4.03% on the sale price or charge
To individual users – UNINSTALLED – 4.52% on the sale price or charge
To commercial or industrial users – INSTALLED – 7.2% on the sale price or charge
To commercial or industrial users – UNINSTALLED – 8% on the sale price or charge

(2) WHEN DRAPERY MATERIALS PURCHASED TAX EXEMPT

(a) On sales at TAX INCLUDED PRICES

To individual users – INSTALLED – 6.08% on the sale price or charge
To individual users – UNINSTALLED – 6.75% on the sale price or charge
To industrial or commercial users – INSTALLED – 9.64% on the sale price or charge
To industrial or commercial users – UNINSTALLED – 10.714 or 10.72% on the sale price or charge

(b) On sales at TAX EXCLUDED PRICES

To individual users – INSTALLED – 6.44% on the sale price or charge
To individual users – UNINSTALLED – 7.21% on the sale price or charge
To commercial or industrial users – INSTALLED – 10.8% on the sale price or charge
To commercial or industrial users – UNINSTALLED – 12% on the sale price or charge

3. The percentages aforementioned should not be shown on sales invoices to customers, but used merely as a method of computation.

4. Sales to commercial or industrial users which are taxable on the actual sale price or charge are those sales made at a contract or tendered price. When sales are made to commercial or industrial users at the same prices as those established and regularly maintained by the manufacturer for sales to individual users for drapes of like quality, quantity and value, the tax may be accounted for on the same basis as that authorized by the Circular for computation of the tax on sales to individual users.

G.L. Bennett

G.L. Bennett,
Assistant Deputy Minister,
(Excise).

DEPARTMENT OF NATIONAL REVENUE
EXCISE

BULLETIN 45

Ottawa, July 11, 1967.

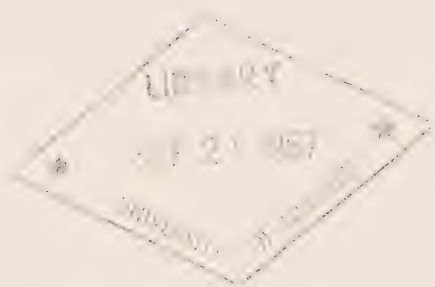
TELEVISION BROADCAST RECEIVING SETS
BASES FOR TAX COMPUTATION

The Department has just completed an investigation of the above-mentioned industry, to ascertain whether or not the determined wholesale discount, authorized by Circular ET 113 dated 1st December 1961, required revision.

Since the determined wholesale discount was not considered to be correct, in the light of today's marketing conditions, it has been increased to 13% and as in the past is deductible from the sale price to retailers. Where necessary, the Circular has also been revised in the light of the increase in the rate of sales tax, to 12%, effective January 1, 1967.

A new Circular, which outlines the revised bases for tax computation, is effective 1st July 1967, and supersedes the former Circular as of that date.

G.L. Bennett,
Assistant Deputy Minister,
Excise.



Ottawa, 15th March 1968

CANDY AND PROCESSED NUTS
TAX COMPUTATIONS

On completion of a recent survey of the industry, it has been found necessary to revise the bases for computation of the sales tax authorized by Circular ET 31 dated 17th April 1959. Accordingly, a new revised Circular ET 31 has been issued under date of 15th March 1968. The new Circular is effective 1st April 1968 and supersedes the former Circular as of that date.

The more important features in the new Circular are as follows:

1. Processed nuts, as defined in the appendix have been added to the products covered by the Circular.

2. Certain additions have been made to the previous list of classes of sales on which the sales tax applies on the sale price. These classes of sales are listed in section 4. Particular attention is directed to the sales mentioned in sub-sections (3), (4) and (5). With regard to sub-section (5) when a manufacturer sells a line or lines of his products to wholesalers and retailers at the same price, and in sufficient quantities to establish a wholesale price, he must account for the tax on such sales to retailers on a value not less than the established wholesale price.

3. Computation of tax on the basis of the established wholesale price is outlined in section 5.

4. Section 6 outlines computation of tax on sales to retailers when there is no established wholesale price, but the manufacturer has established a regular list price to ordinary retailers. No change has been made in the wholesale discount of 17% previously authorized as deductible from the regular sales tax included list selling price to ordinary retailers. However, new definitions of the terms "Ordinary Retailers" and "Regular List Price to Ordinary Retailers" have been provided in the appendix. Manufacturers electing to account for the tax under section 6 should be fully conversant with the meaning of these terms to ensure a proper computation of the tax under the section. A discount of 18½% has been authorized for computation of tax in those instances where the regular list price to ordinary retailers excludes the tax.

5. On sales directly to consumers at tax included prices, a wholesale discount of 37% has been authorized by section 7 as deductible from the regular selling price to consumers.

6. The tax computed in accordance with the Circular is payable at the time of sale, except in those cases where the manufacturer sells his products through his own retail store(s). In these latter cases the tax is payable at the time of transfer to the retail store(s).

G.L. Bennett,
Assistant Deputy Minister,
Excise.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONNERY
OTTAWA, 1968.

DEPARTMENT OF NATIONAL REVENUE
EXCISE

BULLETIN 51

Ottawa, 14th June 1968

PAINT
TAX COMPUTATIONS

On completion of a survey of the industry it has been found that a wholesale situation exists in the sale of paint although not all manufacturers sell to wholesalers or in sufficient volume to wholesalers to enable such manufacturers to establish a wholesale price for tax calculation purposes.

Therefore, Circular ET 135 regarding computation of tax by paint manufacturers has been issued. Its use becomes effective 1st July 1968. As of this date all previous tax computation instructions or rulings issued to paint manufacturers are cancelled.

The more important features in the new Circular are as follows:

1. When a manufacturer of paints has an established wholesale price for a line or lines of his product as defined by Regulation 21(2)(g), this will establish the value on which the tax shall be accounted for on sales of these lines to retailers and users at higher prices.

2. When a manufacturer has not established a wholesale price but has established a confidential list price to retailers, section 7 outlines the computation of tax on sales to retailers and users.

3. When a manufacturer sells exclusively to users the basis for tax calculation purposes is outlined in section 8.

4. The authorized discounts are all-inclusive and no further deductions may be taken for cash discount, transportation or other allowable credit.

5. The tax computed in accordance with the Circular is payable at the time of sale except in those cases where the manufacturer sells his products through his own retail store(s). In these cases the tax is payable at the time of shipment or transfer to the retail store(s).

6. The use of the bases authorized by the Circular for tax computation purposes is not retroactive and is effective only from the date the use of the bases is commenced.

G.L. Bennett,
Assistant Deputy Minister,
Excise.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1968.

Ottawa, 29th August 1968

UNSWEETENED POPCORN
TAX COMPUTATIONS

On completion of a survey of the industry, it has been found that a wholesale situation exists in the sale of unsweetened popcorn although not all manufacturers or producers sell to wholesalers or in sufficient volume to enable such persons to establish a wholesale price for tax calculation purposes.

The survey also indicated that unsweetened popcorn is sold to the same classes of customers as candy and the average discount allowed wholesalers is equivalent to that applicable to candy. It has been decided, therefore, that as from 1st September, 1968, producers of unsweetened popcorn may account for sales tax in accordance with the provisions of Circular ET 31 pertaining to candy and processed nuts. As of this date, all previous tax computation instructions or rulings issued to unsweetened popcorn manufacturers or producers are cancelled.

The important features of Circular ET 31 are as follows:

1. When a manufacturer or producer has an established wholesale price for a line or lines of his product as defined by Regulation 21 (2)(g), this will establish the value on which tax shall be accounted for on sales of these lines to retailers and consumers at higher prices.
2. When a manufacturer or producer has not established a wholesale price but has established a regular list price to ordinary retailers, Section 6 outlines the computation of tax on sales to retailers and consumers.
3. When a manufacturer or producer sells exclusively to consumers, the basis for tax calculation purposes is outlined in Section 7.
4. The authorized discounts are all-inclusive and no further deductions may be taken for cash discount, transportation or other allowable credit.
5. The tax computed in accordance with the Circular is payable at the time of sale except in those cases where the manufacturer or producer sells his product through his own retail store(s). In these cases the tax is payable at the time of shipment or transfer to the retail store(s).
6. The use of the bases authorized by the Circular for tax computation purposes is not retroactive and is effective only from the date the use of the bases is commenced.

G.L. Bennett

G.L. Bennett,
Assitant Deputy Minister of National Revenue,
Excise.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1968.

Ottawa, 21st July 1969

MONUMENTS AND MEMORIALS TAX COMPUTATION

On completion of a recent survey of the monument and memorial industry, it has been found necessary to revise the bases for tax computation authorized by Circular ET 121 dated 5th March 1959. Accordingly, a new revised Circular ET 121 has been issued under date of 30th June 1969. The new Circular is effective 1st August 1969 and as of that date cancels the former Circular and all previous tax computation instructions or rulings.

The following changes in the new Circular should be carefully noted so as to ensure a proper computation of the tax:

1. Section 6(2) provides that when identical monuments or memorials are sold both to retailers and users, the tax on sales to users applies on the established price to retailers.
2. When identical monuments or memorials are **not** sold both to retailers and users or sales are made exclusively to users, the discount authorized in the old Circular has been changed to reflect the results of the recent survey.

The other important features in the new Circular are as follows:

1. On sales to retailers the tax continues to apply on the sale price, less, where applicable, transportation in accordance with Regulation 27, cash discount and erection or installation costs deducted in accordance with Regulation 22, with the tax computed as included or on.
2. The authorized discounts are all-inclusive and no further deduction may be taken for cash discount, transportation or any other matter.
3. Section 3(3) provides that licensed manufacturers are not permitted to obtain dies and bases exempt from sales tax. If they are further processed by the manufacturer, recovery of the actual sales tax paid at the time of purchase is permitted.

G.L. Bennett,
Assistant Deputy Minister of National Revenue, Excise.

THE QUEEN'S PRINTER, OTTAWA, 1969.

Ottawa, 5th February 1970

SOFT DRINKS

Circular ET 33 dated 29th December 1966 authorizes a 20 per cent discount for sales tax computation purposes on sales of soft drinks to retailers.

The discount provided for in Circular ET 33 does not apply to sales of private brand or private label soft drinks. These goods are subject to sales tax calculated on the sale price.

Section 21(2)(k) of the General Excise and Sales Tax Regulations (Circular ET 1) defines private brand goods as goods which in the condition as sold by the manufacturer thereof are for marketing under a brand, trade mark, trade name or any other designation which identifies the goods with a vendor other than the manufacturer of the goods.

G. L. Bennett

G. L. Bennett,
Assistant Deputy Minister of National Revenue,
Excise.

QUEEN'S PRINTER FOR CANADA, OTTAWA, 1970.

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